

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON**

FRANK RICHMOND, MICHAEL
MCDERMOTT and KELLEY
MCDERMOTT, each individually and on
behalf of all others similarly situated,

Plaintiffs,

vs.

HOME PARTNERS HOLDINGS LLC, HP
WASHINGTON I LLC, HPA BORROWER
2017-1 LLC, and OPVHHJV LLC, d/b/a
PATHLIGHT PROPERTY MANAGEMENT,

Defendants.

Civil Action No.: _____

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Complaint - 1

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 Frank Richmond, Michael McDermott, and Kelley McDermott (collectively "Plaintiffs"),
 2 each individually and on behalf of all others similarly situated, bring this action against Home
 3 Partners Holdings LLC ("Home Partners"), HP Washington I LLC, HPA Borrower 2017-1 LLC,
 4 and OPVHHJV LLC d/b/a Pathlight Property Management ("Pathlight") (collectively
 5 "Defendants"), and allege as follows:

6 INTRODUCTION

7 1. Landlord-tenant law is predicated on the relationship it confers upon the parties to
 8 a rental agreement.

9 2. A pillar of that relationship is that landlords, not tenants, are responsible for
 10 ensuring they "keep the premises fit for human habitation[.]" Wash Rev. Code § 59.18.60.

11 3. Washington law also provides for landlord remedies in the event the disrepair has
 12 been caused by a tenant's conduct.

13 4. These mandatory landlord duties, and the rights they confer on tenants, originated
 14 in common law as the Covenants of Habitability and are codified in Washington's statutes.

15 5. Indeed, Washington law imposes duties on landlords, and those duties are
 16 significantly more stringent than those of the common law.

17 6. Washington statutes enumerate a series of specific landlord duties, including
 18 maintaining the premises in compliance with any applicable code, statute, ordinance, or regulation,
 19 and maintaining various structural components not only in habitable condition, but "in reasonably
 20 good repair so as to be usable[.]" Wash. Rev. Code § 59.18.060.

21 7. Further, Washington law explicitly forbids parties from waiving many of the
 22 protections the statutes provide for tenants. Wash. Rev. Code § 59.18.230.

23
 24 Complaint - 2

Hellmuth & Johnson, PLLC
 8050 West 78th Street
 Edina, MN 55439
 (952) 941-4005

Milberg Coleman Bryson
 Phillips Grossman, PLLC
 1420 Fifth Ave, Suite 2200
 Seattle, WA 98101

1 8. Nonetheless, under the guise of offering a potential home to own, Defendants
2 routinely enter into adhesive form leases that purport to waive and modify a landlord's duties
3 through several different lease provisions found in Defendants' adhesion contract forms.

4 9. During and at the end of tenancies, Defendants pursue their tenants for payment of
5 pre-existing or other damage to Defendants' real and personal property that was not caused by the
6 tenants at all. Defendants' conduct violates statutory landlord-tenant and consumer protection
7 laws.

8 10. Defendants are some of the many corporate investors of residential real estate who
9 have swarmed into metropolitan area real estate markets, hoping to profit from the growing
10 demand for single-family homes.

11 11. Large private equity groups, hedge funds, and other large investors spent a
12 combined \$36 billion on more than 200,000 homes between 2011 and 2017.

13 12. In effect, these large entities are building a new corporate landlord-tenant scheme
14 across the country.

15 13. While large corporate entities have been involved in the housing market since
16 before the 2010 foreclosure crisis, their involvement continues to grow. These corporate landlords
17 claim their buying efforts will stabilize the country's most dilapidated housing markets, and further
18 claim they will be even better landlords than traditional, local landlords by using their capital to
19 maintain the homes and make home rentals easy and affordable.

20 14. However, over time, these corporate landlords have displaced individual home
21 buyers (or individual landlords and property owners) not only in housing markets decimated by
22 foreclosure, but also in healthy urban, suburban, and exurban residential real estate markets,
23 leading to "higher prices throughout the market, greater competition at the time of sale, and out-
24 of-state landlords showing less care for properties and renters."

Complaint - 3

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

PARTIES

15. Frank Richmond ("Richmond") is an adult residing in Port Orchard, Washington, and is a citizen of Washington.

16. Michael and Kelley McDermott ("the McDermotts") are adults residing in Tacoma, Washington, and are citizens of Washington.

17. Defendant Home Partners Holdings LLC is incorporated in Delaware, with its principal place of business in Chicago, Illinois.

18. Richmond's lease indicates he entered into an agreement with Defendant HP Washington I LLC.

19. The McDermotts entered into a lease agreement with Defendant HPA Borrower 2017-1 LLC.

20. Upon information and belief, Home Partners or one of its subsidiaries operates and purchases homes through separately incorporated shell limited liability companies ("LLCs").

21. Home Partners (or one of its officers or employees) is a member of those LLCs. Defendants HP Washington I LLC and HPA Borrower 2017-1 LLC are two of these entities. Both are incorporated in the State of Delaware, with their principal place of business in Chicago, Illinois.

22. Upon information and belief, Defendants conduct business through multiple, separately incorporated shell LLCs, incorporated in Delaware and registered in various states where the homes are located.

23. HP Washington I LLC, HPA Borrower 2017-1 LLC and these other LLCs were, at all relevant times, the agent, servant, employee, alter-ego, or joint venture of Defendant Home Partners, and acted within the course and scope of such agency, employment, alter-ego, or in furtherance of the joint venture, and with the permission and consent of each of the other Defendants.

Complaint - 4

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 32. In a \$6-billion dollar deal, Blackstone purchased Home Partners through an
2 investment fund called Blackstone Real Estate Income Trust.

3 33. Blackstone is one of many large firms to capitalize off the 2010 foreclosure crisis
4 precipitated by the Great Recession.

5 34. As thousands of families lost their homes, the federal government launched a pilot
6 program that allowed Blackstone and other private investors, some of whom facilitated the
7 financial crisis in the first place, to purchase swaths of foreclosed homes from Fannie Mae.

8 35. Against this background, Home Partners and Pathlight entered the residential real
9 estate market in 2012 as real estate investment and property management group, claiming that by
10 purchasing homes on behalf of residents in markets nationwide, they would help thousands of
11 home-seekers live in a home they otherwise were not yet ready to purchase, under terms that best
12 fit their needs.

13 36. Defendants state they rent single-family homes to persons in three primary
14 demographics: (1) recent transferees to an unfamiliar or new city or suburb; (2) persons desiring
15 to live in a single-family home, but who lack the creditworthiness to obtain a mortgage; and (3)
16 persons who want to rent a single-family home but who are “uncertain” about home ownership.

17 37. Defendants peddle to these demographics through targeted marketing to real estate
18 agents, and through online and print advertisements that advertise the availability of homes.

1 38. Defendants market themselves as a joint entity: Pathlight's web site
2 (https://www.pathlightmgt.com/)¹ contains a Home Partners' logo and reference², demonstrating
3 their interlocking relationship.

4 39. Specifically, Pathlight's web site makes numerous references to Home Partner's
5 lease and refers to homepartners.com for terms and conditions.

6 40. In addition, Pathlight's web site also states, in relevant part, "Home Partners of
7 America is committed to making homeownership a reality for more people by providing a clear
8 path to homeownership. Our process is easy, transparent, and built on a foundation of choice and
9 flexibility. Home Partners is helping people get into great homes, in neighborhoods they love, with
10 the opportunity to build a more secure financial future."

11 41. Home Partners' web site states, "[f]rom the beginning, Home Partners and Pathlight
12 communicate with residents throughout the entire process. Once the house has closed and the
13 Make-Ready renovations have been completed, Pathlight will send a Welcome Email to residents
14 that outlines the move-in process and answers questions that may arise during the lease term."

15 42. Defendants market extensively through their own web sites as well as local real
16 estate agencies.

17 43. Once a prospective tenant expresses interest in a particular property, Defendants
18 together claim they expend significant effort and resources to purchase a particular home on the
19 prospective tenant's behalf.

21
22
23 ¹ Last visited on August 6, 2022.

24 ² Compare with the logo at Home Partners' website: https://www.homepartners.com/.
Last visited on August 6, 2022.

1 44. Though Defendants claim in their form documentation that they are purchasing
2 properties specifically selected by a prospective tenant prior to rental, Home Partners (either
3 wholly or through its alter ego LLCs) likely and often already owns the home.

4 45. Indeed, a recent search of Pathlight’s property listing of available homes yielded
5 more than 60 available homes across the state of Washington.

6 46. To induce persons to go through Home Partners and the lease-to-purchase program,
7 Home Partners represents “[o]nce a home is identified and approved by Home Partners, Home
8 Partners will attempt to purchase the home – the outcome of which will depend on certain
9 conditions being met such as agreeing on a purchase price with the seller, a satisfactory inspection,
10 attorney review of the purchase contract, and other closing conditions being satisfied.” Thus,
11 Home Partners represents the house is “qualified” and has passed its inspection.

12 47. Pathlight further represents, for every home available for lease, that the home is
13 “[p]rofessionally managed by Pathlight Property Management, the exclusive property manager for
14 Home Partners of America, offering excellent customer service, 24/7 emergency maintenance
15 service, online application and payments, and pet-friendly options.”

16 48. For each house, Defendants set both a monthly base rent for each year in which a
17 tenant occupies a house.

18 49. Base rent increases by up to 3.75% year over year, which is above average for many
19 metropolitan areas where Defendants rent homes.

20 50. Defendants also establish an “Estimated Acquisition Cost” (also defined in
21 Defendants’ form documents as the “Purchase Price”) if the tenant chooses to exercise the “right”
22 to purchase during or at the end of the lease. Incorporated into the Estimated Acquisition Cost are
23 “make ready” costs allegedly expended by Defendants prior to move-in and during tenancy.
24

Complaint - 8

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 51. Defendants state and admit they do not negotiate these amounts with tenants and
2 unilaterally set the house's estimated purchase price above the actual amount expended to purchase
3 the house, closing costs included.

4 52. Nonetheless, in contradiction of the foregoing statements, which are provided to
5 the general public and tenants before they sign any lease, Home Partners later represents in its
6 form adhesion leases that "the amount of Rent was negotiated with the express understanding that
7 Tenant will be responsible for the maintenance needs of the Premises."

8 53. Home Partners is not a lender.

9 54. Consumers who wish to exercise the option to purchase must secure a mortgage
10 from a third party, just as with any traditional home purchase.

11 55. Home Partners does not apply or credit any amount paid in rent or on maintenance
12 or repair during the lease term to reduce the purchase price or to be applied as a down payment.

13 56. In other words, consumers who rent through Defendants do not build equity in the
14 home.

15 57. Only 20% of the persons who enter the lease-to-purchase agreements with Home
16 Partners eventually purchase the home.

17 58. At bottom, and as further described herein, Defendants' lease-to-purchase program
18 is an elaborate ruse designed to induce and convince prospective customers that they are renting a
19 specially chosen, "qualified" i.e., quality home that is different than, and an alternative to, a
20 traditional rental—and then to convince consumers to agree to take on substantial homecare
21 burdens foisted on tenants by Defendants' adhesive form leases.

22 59. Despite their effort to establish an extra-legal relationship with their tenants through
23 these elaborate contracts of adhesion, Defendants cannot write their way out of their statutory legal
24 obligations to their tenants.

Complaint - 9

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 **II. Defendants’ form contracts shift the burden of repair onto tenants.**

2 60. Since at least 2016, Defendant Home Partners has included provisions in its
3 carefully crafted form leases that illegally purport to shift its maintenance obligations onto tenants,
4 including for situations where the damage is not caused by the tenant’s conduct:

5 a. “Tenant shall, at Tenant’s expense, maintain the Premises (including all appliances,
6 systems and fixtures located thereon...)...and keep same in a clean, safe and healthy condition and
7 in good working order.” (emphasis in original)

8 b. “Tenant agrees to pay for (a) all repairs, maintenance or replacement required to
9 the Premises, including the walls, windows, storms (sic) doors/windows and screens, ceilings,
10 paint, plastering, plumbing work, pipes, and fixtures belonging to the Premises, whenever damage
11 or injury to the same shall have resulted from misuse, waste or neglect by the Tenant...” (emphasis
12 in original)

13 61. Defendants further disclaim in form leases any obligation to comply with the
14 Covenants of Habitability, stating “Tenant hereby represents, warrants and acknowledges that it is
15 leasing the Premises in its ‘AS-IS, WHERE-IS, WITH ALL FAULTS’ condition, fitness for any
16 particular purposes, merchantability, habitability or any other warranty of any kind, nature, or type
17 whatsoever[.]”

18 62. These lease provisions are designed to obscure, mislead, and misrepresent
19 Defendants’ true legal obligations to renters.

20 63. As further evidence of an intent to mislead and misrepresent obligations to renters
21 and to shift the costs of repair onto tenants, Home Partners represents that as a component of its
22 lease-to-purchase program, the parties have a “mutual responsibility to maintain the home,” in
23 contrast to the traditional landlord-tenant relationship, and that this alleged “mutual responsibility”
24 creates an advantage for the tenant over the traditional landlord-tenant relationship.

64. Defendants fail to disclose, however, that nothing in their unwieldy, lengthy “Residential Lease Agreement” can abridge a tenant’s rights, nor does the lease create anything other than a traditional landlord-tenant relationship.

65. Defendants’ “as-is” and burden-shifting repair provisions mislead consumers about their guaranteed rights and remedies under applicable state law by misrepresenting to consumers that they, not Defendants, are required to keep Defendants’ properties in reasonable repair. Thus, in addition to misrepresenting tenants’ rights, Defendants’ leases are agreements with tenants that purport to waive or modify the landlord’s duties in direct violation of the law.

66. Defendants’ burden-shifting maintenance and repair provisions not only contravene the common law covenants of habitability and state statutes, but also deceptively and misleadingly suggest to tenants that their signatures on the lease constitute a waiver of their right to habitable housing.

67. These unlawful provisions have and continue to have the effect of fraudulently stripping consumers of their legal rights and burdening them with repair efforts and expenses that the law explicitly requires Defendants to bear.

68. Defendants obtain an independent inspection and property appraisal, allegedly for the benefit of the tenant, yet none of the Defendants provide tenants with the inspection report or the appraisal.

69. When tenants request a copy of the inspection report, Defendants refuse to produce it.

70. Instead, these provisions are given to Defendants and undertaken on Defendants’ behalf prior to Home Partners’ purchase of the home.

71. As owners and property managers of the home, they are in the best position to obtain and provide that information.

Complaint - 11

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 72. Thus, no Defendant discloses the existence of any pre-existing damage to the home
2 of which they may have already been aware.

3 73. Pathlight further represents that since the property being purchased will be a rental,
4 county or municipal inspections may occur only after Home Partners closes on a home, allowing
5 Defendants to rent the home under local licensing requirements.

6 74. Therefore, not only may a property be unavailable for rent upon closing, it may not
7 be available until it passes the mandatory inspection.

8 75. Pathlight does not disclose the results of these inspections.

9 76. Despite the lengthy and specific list of duties Washington statutes confer on every
10 landlord, during the tenancy, and as described herein, Pathlight often refuses to make even basic
11 repairs, undertake repairs required by the form lease and statute, and suppresses tenants' ability to
12 report repair concerns and to have repairs completed.

13 77. This is due in part to the fact that instead of employing a local agent or property
14 manager who personally responds to a tenant's maintenance request, that request is directed to an
15 out-of-town call center or a web site that purports to be managed by Pathlight, which then assigns
16 a maintenance worker, who requires the tenant be on-site to make the repair – that is, if Pathlight
17 agrees to the repair in the first place.

18 78. Pathlight requires tenants to use an online "Resident Portal" for all
19 communications, including repair requests.

20 79. Pathlight claims to respond to tenants within 24 hours, yet they rarely reply.

21 80. If they do actually reply, the reply is often sent well beyond the 24-hour timeline
22 Pathlight promises.

1 81. Because Pathlight frustrates tenants' attempts to successfully make maintenance
2 requests, the result is a system whereby tenants, not Defendants, are forced to pay for repairs and
3 maintenance that they are not required to make under the lease or applicable state law.

4 82. In addition to paying out of pocket for repairs to Defendants' properties as they
5 arise, or from their security deposits at the end of tenancy, tenants also use their own funds every
6 month to comply with Defendants' so-called "Minimum Required Insurance", which is listed as a
7 clause within the lease and also as an addendum to the lease. Tenants are required to procure their
8 own insurance in the amount of \$300,000 for "damage to our property during your lease term,"
9 otherwise, Defendants automatically enroll tenants into their "Master Resident Liability Program"
10 in the amount of \$100,000, which solely covers Defendants' property.

11 83. Pathlight force places tenants in this "Master Resident Liability Program" for \$13
12 per month if tenants do not procure their own renters' insurance, with the understanding that "such
13 policy will be purchased by the Landlord for its own benefit." Pathlight discourages tenants from
14 procuring outside insurance, stating that "using an outside provider may cost \$20 per month or
15 more."

16 84. If tenants procure their own insurance, tenants are required to name Pathlight as an
17 "additional interested party" on the general liability portion of the policy.

18 85. Defendants additionally do not disclose that they intend for tenants (or their
19 independently procured insurance coverage) to pay for and cover pre-existing, accidental, or
20 normal wear and tear damage to Defendants' buildings and real property, not caused by tenants,
21 which are not covered by the typical renters' insurance policy.

22 86. In other words, Defendants deliberately foist the burden of insuring their own real
23 property onto tenants.
24

1 87. Even if Defendants did not enforce their illegal lease provisions, these provisions
2 are nonetheless deceptive because consumers who read them or are told of them are likely to
3 believe they are enforceable or that they have contractually waived their legal rights not to be
4 responsible for repairs to Defendants' own property.

5 **III. Plaintiff Richmond's experience**

6 88. Richmond and his family began renting a home through Defendants in Port
7 Orchard, Kitsap County, Washington in September 2021.

8 89. Richmond was looking to rent a home, and rented through Defendants because
9 Defendants' representations, as described above, led him to believe they would provide a quality
10 home that would not require substantial upkeep or maintenance, based upon the assurance of
11 quality and inspection provided by Defendants.

12 90. Richmond was not committed to purchasing the home through Defendants, but he
13 considered it a possibility.

14 91. Defendants had already purchased multiple homes in the area, and there were very
15 few to choose from.

16 92. Richmond received Defendants' form "Residential Lease Agreement", drafted by
17 Home Partners' lawyers and consisting of 47 clauses and 21 pages of approximately 8-point font,
18 plus numerous attachments and addenda, and incorporated "Residential Right to Purchase
19 Agreement."

20 93. The written form lease initially set a base rent of \$3,060 per month, plus a monthly
21 \$30 pet fee, for the first year of the tenancy, with yearly rent hikes of approximately 3.6% year
22 over year.

23 94. Richmond was not provided an opportunity to negotiate these amounts.
24

1 95. The lease term was for a period of one year and was subject to an automatic yearly
2 renewal provision of up to four renewals, i.e., for a total of five years.

3 96. Upon move-in, the entire home was full of dirt and trash and had not been cleaned.

4 97. Per Richmond's lease, Defendants are responsible for furnishing and maintaining
5 certain appliances upon commencement of the lease period, including a refrigerator.

6 98. Defendants did not supply a refrigerator until one week and several phone calls
7 after the term began.

8 99. Richmond documented various damage to the house, including chipped paint
9 throughout the home; a broken fence; a back door that had been screwed shut; bubbling sheetrock
10 joint tape, dents, nails, and screws in the walls and ceiling; cracks in the garage floor; broken
11 window screens; light fixtures hung improperly and dangerously; and broken light switch plates.

12 100. Richmond requested, through Defendants' rental paperwork, that the interior walls
13 be re-painted.

14 101. Defendants sent a painting crew to the home, who informed him that paint had worn
15 off the home's exterior trim.

16 102. With Washington's wet weather, the painters told Richmond that the exposed wood
17 could soak up water and begin to rot.

18 103. The painters said they would acquire a work order through Pathlight to repaint the
19 exposed trim.

20 104. Pathlight did not approve of the repair, so the wood remains exposed to the
21 elements.

22 105. Defendants informed Richmond he must sign up for Defendants' renter's insurance
23 plan.
24

1 106. Richmond declined, informing them he already had his own liability coverage
2 through a different provider.

3 107. Despite presenting proof of his own liability insurance plan, Defendants enrolled
4 Richmond in their “Master Resident Liability Program”, without his consent, and have continued
5 to bill him each month, effectively forcing him to pay for their insurance in addition to the
6 insurance he obtained on his own.

7 108. Despite his repeated requests, Defendants have not reimbursed him for their policy
8 that he continues to pay.

9 109. Richmond has continued to pay the amounts due and owing under the lease during
10 his tenancy, and also maintained and provided evidence that he maintained the allegedly required
11 renter’s insurance coverage.

12 110. While Richmond understood that he would be required to pay for some utilities, he
13 did not agree to pay for any pre-existing damage, nor was he provided any reimbursement or
14 consideration for undertaking repairs.

15 111. Upon signing the rental agreement, Richmond was informed that because the house
16 was equipped with proper ducting, Pathlight would install a new air conditioning unit prior to
17 move-in.

18 112. During the three-week window between Defendants closing on the home and
19 Richmond moving in, the air conditioning unit was never installed.

20 113. Finally, two weeks after Richmond moved in, Pathlight sent an air conditioning
21 company to the home to provide an estimate.

22 114. The air conditioning unit was eventually installed approximately one month later.
23
24

1 115. Defendants, stating they allegedly care about air quality in their homes, force
2 tenants, including Richmond, to pay for monthly air filter replacements for the air conditioning
3 unit.

4 116. Defendants' lease contains an "Air Filter Addendum" that requires residents to
5 enroll in their "Utility & Maintenance Reduction Program" and pay a monthly \$15 fee for air filter
6 replacements.

7 117. The "Air Filter Addendum" states "[t]here is not an opt-out option for this program,
8 as it is designed to ensure that the air quality in your home is safe, and your system is functioning
9 properly."

10 118. The new air filtration system requires the air filters to be replaced once per year.
11 Richmond was given an extra filter to serve as the first replacement filter.

12 119. Defendants first sent and billed Richmond for air filters. The air filters only fit the
13 old unit that had already been replaced.

14 120. The air filters he continued to receive and pay for do not fit the new unit. Defendants
15 reimbursed Richmond for some of the filters he received, however, they continue to bill Richmond
16 for the air filters, but no longer actually send any air filters to his home.

17 121. Employees from All County Septic Service ("ACSS") informed Richmond that the
18 home's septic system is in violation of various codes, and that the septic system had been in
19 violation since before he began renting.

20 122. ACSS informed Richmond that Defendants had outstanding payments due for
21 septic services rendered before Richmond moved in.

22 123. When the septic system alarm went off, Richmond called ACSS per the information
23 sticker on the alarm box.

1 124. ACSS informed him he needed to contact Pathlight to fix the issue. Pathlight never
2 responded to his requests and Richmond went more than two days without water.

3 125. ACSS informed Richmond that because there was still a balance due on the
4 account, they weren't required to tend to the alarm.

5 126. However, because they were aware of Pathlight's reputation, and because
6 Richmond did not cause the alarm to sound, ACSS agreed to provide service despite never
7 receiving a response from Pathlight.

8 127. Months after signing the lease, Defendants sent Richmond an agreement via email
9 denoting an increase in the purchase price of the home, as well as increased monthly base rent for
10 the remaining four years of the lease.

11 128. This agreement was to be signed and returned to Defendants. Defendants have sent
12 several email reminders requesting Richmond execute the agreement.

13 129. Richmond does not agree to these increased prices and has not signed the
14 agreement.

15 **IV. Plaintiffs The McDermotts' experience**

16 130. Plaintiffs Michael and Kelley McDermott currently rent a home through
17 Defendants in Tacoma, Washington.

18 131. The McDermotts began renting a home through Defendants because their
19 representations, as described above, led them to believe they would provide a quality home that
20 would not require substantial upkeep or maintenance, based on the assurance of quality and
21 inspection provided by Defendants.

22 132. The McDermotts received Defendants' form "Residential Lease Agreement",
23 drafted by Home Partners' lawyers.
24

1 133. The lease consists of numerous pages of approximately 8-point font, plus numerous
2 attachments and addenda that incorporated a “Residential Right to Purchase Agreement.”

3 134. The McDermotts have paid the amounts due and owing under the lease during their
4 tenancy, and also maintained and provided evidence that they maintained the allegedly required
5 insurance liability coverage.

6 135. While the McDermotts understood that they would be required to pay for some
7 utilities, they did not agree to pay for any pre-existing damage, nor were they provided any
8 reimbursement or consideration for undertaking repairs.

9 136. Upon move-in, the entire property was covered in weeds and overgrown grass.
10 Pathlight did not respond to the McDermotts’ requests to address this issue.

11 137. The McDermotts paid out-of-pocket to eradicate the weeds.

12 138. Pathlight refused to fix the fence that had fallen in a storm and stated they needed
13 the McDermotts to provide their neighbor’s information in order for their neighbor to pay for half
14 of the fence.

15 139. Pathlight did not attempt to get this information themselves. Instead, they required
16 the McDermott’s to obtain this information.

17 140. The McDermotts ultimately paid out of pocket to repair the fence.

18 141. The McDermotts’ dishwasher stopped functioning during their tenancy. The
19 McDermotts reported the malfunction as soon as the dishwasher stopped working.

20 142. Three months later, and after requesting Pathlight replace the unit multiple times,
21 Pathlight finally furnished a functioning dishwasher.

22 143. In October 2021, the McDermotts discovered black mold on the walls of their
23 dining room.
24

Complaint - 19

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 144. Pathlight sent a water remediation assessor to their home, who determined the entire
2 wall, as well as the dining room floor, would need to be torn out.

3 145. By removing the wall, their home became exposed to the outdoors and was replaced
4 with plywood over the winter, which caused the McDermotts' heat bill to increase.

5 146. Pathlight sent multiple contractors to assess the black mold in the home.

6 147. Upon discovering the black mold had permeated nearly the entire home, contractors
7 tore off the entire front of the home.

8 148. Work was stalled for months over the course of the winter.

9 149. Since the McDermotts' initial call in October 2021, Pathlight had sent multiple
10 contractors to the home.

11 150. The McDermotts lived in a home constructed largely of plywood for nearly an
12 entire year.

13 151. The entire front of the home was covered in tarp from approximately October 2021
14 to August 2022.

15 152. The replacement plywood is currently growing mold.

16 153. The McDermotts' floors remain in disrepair and Pathlight's contractor has
17 repeatedly rescheduled the service appointment.

18 154. The McDermotts attempted to negotiate a rent credit with Pathlight due to their
19 inability to use multiple rooms in the house, as well as their concerns with health hazards
20 associated with mold.

21 155. Pathlight told the McDermotts they would negotiate once the work was completed.

22 156. Because a tremendous length of time has passed since the issue was first
23 discovered, and the McDermotts' inability to use multiple rooms in the home, the McDermotts
24

1 considered hiring a contractor of their own to complete the work on the house but have not yet
2 done so.

3 157. The McDermotts estimate they have spent over 25 hours on the phone with
4 Pathlight representatives and days taken off work to meet with the multiple, different contractors
5 Pathlight sent to handle the black mold issue.

6 158. Each contractor who reported to the McDermotts' home was unaware of the extent
7 of the damage.

8 159. The most recent contractor visited the home on May 20, 2022, with a work order
9 indicating mere "discoloration" within the structural components of the home.

10 160. In April 2022, Pathlight sent the McDermotts an agreement to renew the lease with
11 a \$300 increase in monthly rent.

12 161. Due to the tremendous demand in the rental market in the Tacoma, Washington
13 area, and their desire to keep their children in the same school district, the McDermotts felt they
14 have had no choice but to continue renting through Defendants.

15 **V. Numerous tenants nationwide complain.**

16 162. Plaintiffs are not alone.

17 163. Across the country, numerous complaints have been lodged against either Home
18 Partners or Pathlight through social media such as LinkedIn or Facebook, through the Better
19 Business Bureau, or in conciliation or housing court litigation, for their failure to return security
20 deposits owed, or to keep their properties in reasonable repair.

21 164. As reported by numerous tenants, Defendants often ignore tenant repair requests or
22 wait an inordinately long time before addressing the repair.

23
24
Complaint - 21

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 165. For example, the Better Business Bureau contains the following litany of recent
2 complaints:

3 MB

4 1 star

5 12/15/2021

7 BEWARE, SAFETY HAZARDS. To start, we found an electrical box on the outside wall
8 of our home with open wires touching insulation. Later, our home flooded from the floor of the
9 second story and ceiling of the first story during freezing winter storms. The flood damaged the
10 kitchen and dining room ceilings, kitchen cabinets, trim, drawers, and three different types of
11 flooring (wood, tile, and carpet) in the kitchen, dining area, and living room. Pathlight's
12 homeowners insurance should have covered this per the lease agreement yet I don't even think
13 Pathlight filed a homeowners insurance claim. It took two weeks for the plumbing to be fixed and
14 we were not compensated for staying at a hotel. Despite contacting Pathlight repeatedly and putting
15 in work orders for ALL the damages, it took 4-5 months for them to replace the carpet alone. When
16 they pulled up the pad it was covered in mold. We had told them for months we were living in a
17 moldy, water damaged home and they did not care!! More safety hazards. In the end, they didn't
18 repair half of the damages from the flood. Pathlight Property Management did not uphold their
19 end of the terms of our lease agreement. To add insult to injury, we never received our \$1,995
20 deposit back despite reaching out to try and receive it. If I could give Pathlight 0 stars, I would!!

21 Paula F

22 1 star

23 Complaint - 22

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 12/07/2021

2 One star is even too much for this company. I am a professional and work 10-12 hours a
3 day as does my husband. We choose a rental through this company because they were offering
4 option to buy, however- it has been a nightmare and we have only been in our house for two
5 months. These people are impossible to get ahold of, when you call you are on hold for 20 minutes
6 to an hour then you get someone who cannot help you and say they are transferring you to someone
7 who can and you are on hold another 20 minutes then get hung up on. I had a horrible pool company
8 where they were not even maintaining my pool, they were just checking the water, I sent this video
9 to Pathlight who sent me an addendum after several phone calls and emails to maintain my own
10 pool. I hired a reliable pool company and who comes on Monday? The creepy pool guy from
11 pathlights company to check my water and take a picture of my house! "all of this on video" I was
12 charged 100.00 for a pool maintenance fee which I should not pay as my pool was not
13 maintenance! I also was charged a 13.00 liability charge the second month but I have my own
14 liability insurance and have proven that to them. I get an email stating it was a mistake then the
15 next day I get an email telling me I own it! Do not,,, I repeat ... I am warning you! I looked over
16 all the red flags and did it anyway, do not rent from these people! If it looks too good to be true
17 believe it!!! I am currently on hold the second time for ten minutes now waiting for the people
18 who "can really help me" trust me this will not happen! I am going to the better business bureau
19 and any social media outlet that I can this is a horrible horrible company!

20
21 Frank K

22 1 star

23
24 12/06/2021

Complaint - 23

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 I moved out, left the property in great shape. The dishwasher worked the whole time I was
 2 in the property. They said it wouldn't start, they had no proof of it not working but they replaced
 3 the dishwasher without having a repairman come out. They charged me \$750 without contacting
 4 me. They will not return emails or have any one return calls. They are very unprofessional. Very
 5 disappointed with this company ripping me off.

6 Complaint Type: Problems with Product/Service

7 Status: Answered

8 12/20/2021

9 I used this company as a rent to own or rent with a right to purchase but had to end/term
 10 lease early due to domestic violence. This company uses a property management company called
 11 ***** who is wrongfully withholding my security deposit. Based on
 12 ***** laws they have 21 days to return my deposit to me have not done so, the property mgmt
 13 company has also not reached out or notified me in any way. I submitted a complaint against
 14 ***** mgmt as well 078942dd-61cc-11ec-a163-0e63a05a1194.
 15

16 166. These are not isolated complaints.

17 167. Hundreds of these complaints exist.

18 168. Indeed, private Facebook group called "Home Partners of America—Company of
 19 Stolen Dreams" contains over 1,500 members.

20 169. Only Defendants, however, are aware of the total number of complaints lodged
 21 against them, including through Pathlight's online portal and 800-number.

22 170. Defendants' advertising that they will quickly make repairs and be available 24/7
 23 misrepresents the service Defendants actually provide.
 24

Complaint - 24

Hellmuth & Johnson, PLLC
 8050 West 78th Street
 Edina, MN 55439
 (952) 941-4005

Milberg Coleman Bryson
 Phillips Grossman, PLLC
 1420 Fifth Ave, Suite 2200
 Seattle, WA 98101

171. In reality, Defendants sometimes never make requested repairs or make insufficient repairs.

172. This Court was recently faced with a similar action between Defendants and their tenants in *Norwood v. HPA Borrower 2018-1 LLC*, No. C21-5843JLR, 2021 WL 5630961 (W.D. Wash. Dec. 1, 2021). In *Norwood*, the plaintiffs entered into a lease agreement with Defendants and reported multiple instances of roof leakage, mold, ceiling damage, insulation damage, and plumbing issues that Defendants failed to remedy.

173. These substandard living conditions and resulting health issues forced plaintiffs to vacate their home.

CLASS ACTION ALLEGATIONS

174. Plaintiffs bring this action pursuant to Federal Rule of Civil Procedure 23 and seeks to represent a class of:

All persons who entered into a rental agreement with Defendants in Washington since January 2014 to the present.

175. The requirements for class certification under Federal Rule of Civil Procedure 23 are met as follows:

a. Plaintiffs are informed and believe, and on that basis allege, that between January 2014 and the present (the “Class Period,”) there are thousands of persons who have entered into rental agreements with Home Partners. As such, the members of the Class are so numerous that joinder of all members in one proceeding would be impracticable.

b. There are common questions of law and fact common to the Class, including without limitation:

i. Whether Defendants’ contracts of adhesion illegally disclaim the covenants of habitability;

Complaint - 25

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

- 1 ii. Whether Defendants' lease provisions are misleading;
- 2 iii. Whether Defendants illegally required tenants obtain insurance to cover damage to
- 3 Defendants' property;
- 4 iv. Whether Defendants have failed to return security deposits in full compliance with
- 5 the law;
- 6 v. Whether Defendants misrepresented the nature of their services through advertising
- 7 with the intent to induce persons to sign their contracts of adhesion; and
- 8 vi. Whether the members of the Class are entitled to damages and equitable relief,
- 9 including injunctive and monetary relief.
- 10 c. The claims of the Plaintiffs are typical of the claims of the members of the Class,
- 11 who entered into rental agreements with Defendants and are now contractually bound to the
- 12 misleading and unlawful terms of those agreements that breach the covenants of habitability and
- 13 severely limit any recourse available to Plaintiffs and all members of the Class.
- 14 d. The Plaintiffs will fairly and adequately represent the members of the Class and
- 15 have retained counsel who are competent and experienced in class action and complex litigation.
- 16 176. The requirements of Rule 23(b)(2) are met as described below in Plaintiffs' request
- 17 for injunctive relief.
- 18 177. The requirements of Rule 23(b)(3) are met in that:
- 19 a. The questions of law common to the members of the Class predominate over any
- 20 questions affecting only individual members.
- 21 b. A class action is superior to other methods for the fair and efficient adjudication of
- 22 this controversy. Because the damages suffered by many individual members of the Class may be
- 23 relatively small in relation to the costs of litigation, the expense and burden of individual litigation
- 24 make it difficult, if not impossible, for members of the Class to redress the wrongs done to them

1 individually. Furthermore, many of the members of the Class may be unaware that claims exist
2 against Defendants.

3 c. Plaintiffs know of no difficulty that will be encountered in the management of this
4 litigation that would preclude its maintenance as a class action. The names and addresses of the
5 members of the Class are available from Defendants. Notice will be provided to the members of
6 the Class via first class mail or by the use of techniques and a form of notice similar to those
7 customarily used in class actions.

8 **COUNT I**

9 **VIOLATION OF WASHINGTON RESIDENTIAL LANDLORD-TENANT**

10 **ACT, WASH. REV. CODE § 59.18**

11 178. Plaintiffs re-allege all prior paragraphs of this Complaint.

12 179. Washington's Residential Landlord Tenant Act (RLTA), Wash. Rev. Code §§
13 59.18, et. seq., "in addition to pursuit of remedies otherwise provided him or her by law[,]"
14 preserves certain tenant remedies by allowing a tenant to notify the landlord of its failure to carry
15 out duties required by Wash. Rev. Code § 59.18.060 or by the rental agreement. Wash. Rev. Code
16 § 59.18.070.

17 180. Defendants have violated various provisions of Wash. Rev. Code §§ 59.18, et seq.,
18 by failing to maintain the rented premises in a safe, habitable, and compliant condition.

19 181. Defendants have failed to carry out duties pursuant to Wash. Rev. Code §
20 59.18.060, including, but not limited to:

21 a. Failing to maintain the premises to substantially comply with any applicable code,
22 statute, ordinance, or regulation governing their maintenance or operation in violation of §
23 59.18.060(1);
24

1 b. Failing to maintain the structural components of the properties, including roofs,
2 floors, walls, chimneys, fireplaces and foundations in “reasonably good repair so as to be usable”
3 in violation of § 59.18.060(2);

4 c. Failing to make repairs and arrangements necessary to put and keep the premises
5 in as good condition as it by law or rental agreement should have been, at the commencement of
6 the tenancy, in violation of § 59.18.060(5);

7 d. Failing to maintain electrical, plumbing, heating, and other facilities and appliances
8 supplied by Defendants in reasonably good working order in violation of § 59.18.060(8);

9 e. Failing to maintain the dwelling unit in reasonably weathertight condition in
10 violation of § 59.18.060(9);

11 f. Failing to provide facilities adequate to supply heat and water and hot water as
12 reasonably required by the tenant in violation of § 59.18.060(11).

13 182. Pursuant to Wash. Rev. Code § 59.18.115(2)(a), Defendants have failed to fulfill
14 substantial obligations that substantially endanger and impair the health and safety of their tenants,
15 including:

- 16 a. Exposure of the occupants to the weather;
- 17 b. Plumbing and sanitation defects;
- 18 c. Lack of water;
- 19 d. Heating or ventilation systems that are not functional;
- 20 e. Hazardous electrical systems; and
- 21 f. Defective or inadequate exits.

22 183. Plaintiffs have fully performed all obligations as tenants in accordance with
23 Washington State law and properly notified Defendants of defective conditions that deprive them
24 of basic human needs pursuant to Wash. Rev. Code § 59.18.070 and § 59.18.115.

Complaint - 28

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 184. Defendants have failed to remedy defective conditions pursuant to the timelines
2 prescribed by Wash. Rev. Code § 59.18.070.

3 185. Defendants, through their conduct, are liable for causing economic and
4 noneconomic damages to Plaintiffs and Class Members in an amount to be proven at trial.

5 186. As a result of Defendants' conduct, Plaintiffs and Class Members are entitled to
6 recover costs and attorneys' fees incurred in bringing this action and any other relief the court
7 deems just and proper under Wash. Rev. Code §§ 59.18 et seq.

8 **COUNT II**

9 **BREACH OF DUTY OF GOOD FAITH AND FAIR DEALING**

10 187. Plaintiffs re-allege all prior paragraphs of this Complaint.

11 188. Defendants' residential leases contain a contractual duty of good faith and fair
12 dealing that includes maintaining their rental properties in accordance with the Covenants of
13 Habitability.

14 189. In addition, Defendants are required to respond to Plaintiffs' maintenance requests
15 and not unduly hinder Plaintiffs' ability to receive timely repairs.

16 190. Defendants' actions and uniform course of conduct, including their constructive
17 refusal to make even basic repairs or to unduly delay repairs, breach their contractual duty of
18 good faith and fair dealing and unjustifiably hinder Plaintiffs' performance under the contracts.

19 191. Defendants have acted in bad faith by refusing to perform their contractual duties,
20 effectively foisting the burden of maintaining their homes onto their Tenants to generate more
21 revenue and cut their own costs.

22 192. Plaintiffs have not impeded Defendants from performing their obligations under
23 their lease agreements in any way.
24

193. Defendants' actions caused Plaintiffs' injury and damages, entitling Plaintiffs to the categories of remedies discussed herein.

COUNT III

RESCISSION

194. Plaintiffs re-allege all prior paragraphs of this Complaint.

195. Defendants control virtually every aspect of Plaintiffs' lease agreements as set forth in the general allegations hereof at paragraphs 29 through 87.

196. Defendants' lease agreements illegally and unfairly advantage Defendants through their misleading statements and deceptive practices, as described in this Complaint, with the intent that others rely thereon in connection with the rental or sale of their residential properties. Those practices include Defendants' unlawful lease provisions that deceive and mislead consumers into believing they (a) cannot negotiate their monthly rental rates or cannot negotiate the purchase prices of the home, while forcing them to sign agreements stating they in fact did, (b) must make all repairs to their rental homes because they are rented in an "AS-IS" condition, and (c) must pay for renters' insurance or use Defendants' hand-picked "liability coverage" every month to cover the maintenance of and physical damage to Defendants' rental homes.

197. Defendants represent to consumers that they must pay for Renters' Insurance every month to cover all maintenance of their rental homes, when Washington law requires that they, not tenants, keep the homes in reasonable repair and in compliance with applicable health and safety laws, illegally shifting the burden of maintaining Defendants' own properties onto their renters.

198. Defendants' form lease agreements are unconscionable contracts of adhesion that are unenforceable as contrary to the public interest, policy, and law.

1 199. Defendants' lease agreements deny consumers the legally cognizable Covenants of
2 Habitability.

3 200. Plaintiffs and the Proposed Class have incurred out-of-pocket expenses for
4 maintenance costs associated with their leases that should never have been their responsibility to
5 pay as a direct result of the terms of the lease agreement.

6 201. As a direct and proximate result of Defendants' conduct, Defendants have received
7 substantial benefits to which they have no entitlement, at Plaintiffs' and the Proposed Class
8 Members' expense, including maintenance costs, rent hikes, insurance premiums, and other
9 expenses.

10 202. Plaintiffs and the Proposed Class are entitled to compensation for all the expenses
11 they were illegally required by Defendants to bear, and that Defendants should have but did not
12 pay.

13 **COUNT IV**

14 **DECLARATORY RELIEF**

15 203. Plaintiffs re-allege all prior paragraphs of this Complaint.

16 204. An actual controversy has arisen between Plaintiffs and the Proposed Class on one
17 hand, and Defendant on the other hand, relating to the following matters:

18 a. Whether Defendants have unlawfully failed to maintain the homes rented by
19 Plaintiffs and the Proposed Class.

20 b. What amounts Plaintiffs and the Proposed Class are entitled to receive in
21 compensation.

22 c. Whether Defendants unlawfully require tenants to procure renters' insurance to
23 cover damage not caused by tenants to Defendants' building and structures, or to force place them
24 in the "liability coverage" of Defendants' choosing.

Complaint - 31

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101

1 d. Whether the provisions of Defendants' form leases breach the Covenants of
2 Habitability and illegally thrust the burden of repair onto to tenants.

3 e. Whether tenants can be forced to sign agreements stating they either negotiated the
4 rental or purchase price of the home when in fact, no negotiations took place.

5 205. Plaintiffs and the Proposed Class further seek entry of declaratory judgment in their
6 favor that declares Defendants' practices as unlawful and provides for recovery of sums
7 determined by this Court to be owed by Defendants to the Plaintiffs and Proposed Class.

8 **COUNT V**

9 **INJUNCTIVE RELIEF**

10 206. Plaintiffs re-allege all prior paragraphs of this Complaint.

11 207. Defendants will continue their illegal practices and unlawfully deny their tenants
12 the Covenants of Habitability.

13 208. Plaintiffs and the Proposed Class have been injured and damaged, and are
14 threatened with injury and damage, by Defendants' continued, unlawful refusal to maintain the
15 homes Defendants themselves own, as well as through Defendants' continued use of misleading,
16 unconscionable lease agreements, and Plaintiffs and the Proposed Class have no adequate remedy
17 at law.

18 209. Defendants have acted, and threatened to act, on grounds generally applicable to
19 the individual members of the Proposed Class, thereby making appropriate preliminary and
20 permanent injunctive relief enjoining Defendants and their agents from continuing the unlawful
21 practices alleged.

22 **COUNT VI**

23 **UNJUST ENRICHMENT**

24 210. Plaintiffs re-allege all prior paragraphs of this Complaint.

1 5. Awarding Plaintiffs their costs and attorneys' fees, as permitted by the Court and
2 as authorized by Wash. Rev. Code § 19.86.020; Wash. Rev. Code § 59.18.010;

3 6. Awarding Prejudgment interest; and

4 7. Granting such further relief as provided by law or equity or as the Court deems
5 appropriate and just.

Date: September 21, 2022

Respectfully submitted,
LEMMON LAW FIRM, LLC

/s/ Andrew A. Lemmon

Andrew A. Lemmon
WA State Bar No. 53034
P.O. Box 904
15058 River Road
Hahnville, LA 70057
Phone: (985) 783-6783
Fax: (985) 783-1333
andrew@lemmonlawfirm.com
alemmon@milberg.com

HELLMUTH & JOHNSON, PLLC

/s/ Anne T. Regan

Anne T. Regan (*pro hac vice pending*)
Lindsey L. Larson (*pro hac vice pending*)
8050 West 78th Street
Edina, Minnesota 55439
Tel: (952) 941-4005
Email: aregan@hjlawfirm.com
Email: llabellelarson@hjlawfirm.com

Scott Harris
**Milberg Coleman Bryson Phillips
Grossman, PLLC**
900 W. Morgan St.
Raleigh, North Carolina 27603
Tel: (919) 600-5000
Email: sharris@milberg.com

Gary Klinger
**Milberg Coleman Bryson Phillips
Grossman, PLLC**
227 W. Monroe Street, Suite 2100
Chicago, Illinois 60606
Tel: (866) 252-0878
Email: gklinger@milberg.com

ATTORNEYS FOR PLAINTIFFS

Complaint - 35

Hellmuth & Johnson, PLLC
8050 West 78th Street
Edina, MN 55439
(952) 941-4005

Milberg Coleman Bryson
Phillips Grossman, PLLC
1420 Fifth Ave, Suite 2200
Seattle, WA 98101